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C O N F I D E N T I A L ROME 001005

SIPDIS

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TAGS: [PREL](#) [ETTC](#) [CM](#) [IT](#) [EUN](#) [EXPORT](#) [CONTROLS](#)

SUBJECT: ITALY-CHINA: FINI - LI MEETING DOOMED AFTER EU STATEMENT

REF: STATE 49288

Classified By: Pol M/C Thomas Countryman for reasons 1.4 (b) and (d).

1. (C) Summary. The March 18 meeting of Foreign Ministers Fini and Li was a disappointment for both sides, according to the Italian MFA. Li made no headway in pushing for a lifting of the EU arms embargo, getting instead public and private lectures from Fini on human rights. So, he gave nothing to the Italians on their top foreign policy priority, reform of the UN Security Council. The laboriously negotiated joint communique was scrapped. Italy would strongly favor a US-EU Strategic dialogue on China, as well as high-level Italian-US consultations on China, DPRK and other Asian topics. End Summary

2. (C) On March 22, Pol M/C and poloff met with Ambassador Claudio Pacifico, MFA Director General for Asia to discuss the March 18 meeting between FM Fini and Chinese FM Li. Before describing that meeting, Pacifico gave an overview of Italy's relations with China. He noted that Italian business interests are constantly pushing the GOI to improve the relationship with China in order to advance commercial opportunities. Pacifico said Italy is falling behind Germany, France and others in that competition. The MFA must balance this important priority with popularly supported principles on human rights, as well as the MFA's current highest priority, preventing UN Security Council reform from disadvantaging Italy.

3. (C) Pacifico stressed that Italy has never been in favor of lifting the EU China Arms Embargo but that the position has evolved from strong opposition to a more flexible stance over the past six months. Within the EU, Italy has focussed on tying the lift to improved human rights performance and to a strengthened code of conduct. During President Ciampi's state visit to Beijing in December, Italy took a more forward leaning approach by stating that Italy would be willing to consider lifting the embargo as the Chinese made improvements on human rights issues. Pacifico said that Italian reservations on the lift had been hard to maintain as other EU members, especially the UK, gradually dropped their opposition. Unlike other EU countries (UK, France, Germany, Spain), the Italian Government does not face any internal pressure from the Italian arms and military equipment sector to lift the embargo. He summarized Italy's current position as "Italy is willing to work to lift the embargo but not immediately and not automatically and only after the Chinese take positive actions on human rights issues." This position, Pacifico explained, is necessary to maintain its bilateral relations with China, but should not be taken to indicate support for lifting the embargo. POL MC drew from Ref A to reiterate strong USG opposition to lifting of the arms embargo.

FMs' Meeting

4. (C) Pacifico stated that a great deal of preparation, including several straight days work by a bilateral working group, had gone into setting up FM Li's visit on March 18. However, due to the negative statement by the EU on the recently enacted "anti-secessionist" law, the stop in Rome was plagued by "bitterness" from the moment of arrival. Pacifico bluntly called the meeting a "failure" for both sides. Planned signings for negotiated agreements were abandoned, including an agreed statement on UNSC reform. FM Fini stood by the EU statement on the "anti-secessionist" law and FM Li defended the law stating, as he had in his meeting with PM Berlusconi, that the law gave priority to peaceful means and that military force would be used only as a last resort. Fini offered no encouragement on a rapid lifting on the embargo, saying only that the EU would address it; Li was visibly bothered by this response. Both in the private meeting and in his public comments, Fini said that Italy understood the importance of Taiwan to China, and the Chinese need to understand the importance of human rights standards to all Europeans. Pacifico stated that "perhaps the only positive aspect of the meeting was that the Chinese received a very clear message that they must reconsider their actions and rethink their approach." Pacifico said that at the bilateral level the meeting did not help achieve any Italian objectives and focus on the "anti secessionist" law did not leave much time to discuss other issues. The new MFA Office Director for East Asia, Gianlucca Grandi, who also attended

the meeting, described the exchange as "the toughest meeting between Ministers I have ever seen."

15. (C) As an example of Chinese behavior, Pacifico mentioned that the Chinese brought up their concerns about official Taiwanese participation in Vatican ceremonies in the event of the Pope's passing away and in the subsequent appointment festivities for the new Pope. The Italians told him this was in bad taste. Fini urged Li to normalize relations with the Vatican. (Pacifico told us that the Deputy Prime Minister of Taiwan will be visiting Rome and the Vatican for the inauguration of the new Taiwanese 'embassy' to the Holy See in the near future. This was not mentioned to the Chinese)

16. (C) Pacifico stated that the Ministers briefly discussed North Korea, and Italy recognized China as playing a positive role on that issue. A brief economic discussion focused on WTO regulations and the need for the Chinese to respect trade regulations and stop dumping practices. (Note: A sudden surge in cheap Chinese textiles and shoe imports to has become a hot issue in Italian domestic politics this month, with coalition allies of Berlusconi demanding barriers to dumping). The Chinese agreed to take a look at the issue, and in turn asked for Italian support in gaining market economy, designation. Pacifico, however, felt the Chinese showed no real acceptance on making efforts to restrain their market practices.

#### Call for Consultations

17. (C) Pacifico was disappointed by Chinese behavior and called for increased direct consultation with U.S. counterparts in Washington on China and East Asia. He also proposed setting up an informal closed consultative group of selected EU countries (UK, France, Germany, Spain, Italy) and the U.S. to discuss China and other Asian issues, particularly the DPRK. Pol M/C agreed to forward these suggestions to Washington, stating that the USG is interested in a strategic dialogue on China with the EU.

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